

The Congressional Budget Process: A Brief Overview

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Summary

The term “budget process,” when applied to the federal government, actually refers to a number of processes that have evolved separately and that occur with varying degrees of coordination. This overview, and the accompanying flow chart, are intended to describe in brief each of the parts of the budget process that involve Congress, clarify the role played by each, and explain how they operate together. They include the President’s budget submission, the budget resolution, reconciliation, sequestration, authorizations, and appropriations.

This report will be updated to reflect any changes in the budget process.

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The Basic Framework

The Constitution grants the “power of the purse” to Congress,¹ but does not establish any specific procedure for the consideration of budgetary legislation. Instead, a number of laws and congressional rules contribute to the federal budget process, with two statutes in particular forming the basic framework.²

The Budget and Accounting Act of 1921, as codified in Title 31 of the *United States Code*, established the statutory basis for an executive budget process by requiring the President to submit to Congress annually a proposed budget for the federal government. It also created the Bureau of the Budget (reorganized as the Office of Management and Budget (OMB) in 1970) to assist him in carrying out his responsibilities, and the General Accounting Office (GAO, renamed the Government Accountability Office in 2004) to assist Congress as the principal auditing agency of the federal government.

The Congressional Budget and Impoundment Control Act of 1974 (P.L. 93-344, 88 Stat. 297) established the statutory basis for a congressional budget process, and provided for the annual adoption of a concurrent resolution on the budget as a mechanism for facilitating congressional budgetary decision making. It also established the House and Senate Budget Committees, and created the Congressional Budget Office (CBO) to provide budgetary information to Congress independent of the executive branch.

The Budget Cycle

The President is required to submit to Congress a proposed budget by the first Monday in February. Although this budget does not have the force of law, it is a comprehensive examination of federal revenues and spending, including any initiatives recommended by the President, and is the start of extensive interaction with Congress.

Within six weeks of the President’s budget submission, congressional committees are required to submit their “views and estimates” of spending and revenues within their respective jurisdictions to the House and Senate Budget Committees. These views and estimates, along with information from other sources, are then used by each Budget Committee in drafting and reporting a concurrent resolution on the budget to its respective house. Other information is gathered by the Budget Committees in reports and hearing testimony. That information includes budget and economic projections, programmatic information, and budget priorities, and comes from a variety of sources, such as CBO, OMB, the Federal Reserve, executive branch agencies, and congressional leadership.

Although it also does not have the force of law, the budget resolution is a central part of the budget process in Congress. As a concurrent resolution, it represents an agreement between the House and Senate that establishes budget priorities, and defines the parameters for all subsequent budgetary actions. The spending, revenue, and public debt legislation necessary to implement decisions agreed to in the budget resolution are subsequently enacted separately.

¹ Article I, Section 8 provides that “The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises,” and Section 9 provides that “No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law.”

² For a more extensive overview of the federal budget process, see CRS Report 98-721, *Introduction to the Federal Budget Process*, coordinated by Bill Heniff Jr.

Discretionary spending,³ in the form of appropriation bills, involves annual actions that must be completed before the beginning of a new fiscal year on October 1. Changes in direct spending⁴ or revenue laws may also be a part of budgetary actions in any given year. When these changes are directly tied to implementing the fiscal policies in the budget resolution for that year, the reconciliation process may be used. Reconciliation typically follows a timetable established in the budget resolution. Other budgetary legislation, such as changes in direct spending or revenue laws separate from the reconciliation process, changes in the public debt limit, or authorizing legislation, are not tied directly to the annual budget cycle. However, such legislation may be a necessary part of budgetary actions in any given year.

The Budget Resolution and Reconciliation

The budget resolution represents an agreement between the House and Senate concerning the overall size of the federal budget, and the general composition of the budget in terms of functional categories. The amounts in functional categories are translated into allocations to each committee with jurisdiction over spending in a process called “crosswalking” under Section 302(a) of the Congressional Budget Act. Legislation considered by the House and Senate must be consistent with these allocations, as well as with the aggregate levels of spending and revenues. Both the allocations and aggregates are enforceable through points of order that may be made during House or Senate floor consideration of such legislation. These allocations are supplemented by nonbinding assumptions concerning the substance of possible budgetary legislation that are included in the reports from the Budget Committees that accompany the budget resolution in each house.

In some years, the budget resolution includes reconciliation instructions. Reconciliation instructions identify the committees that must recommend changes in laws affecting revenues or direct spending programs within their jurisdiction in order to implement the priorities agreed to in the budget resolution.⁵ All committees receiving such instructions must submit recommended legislative language to the Budget Committee in their respective chamber, which packages the recommended language as an omnibus measure and reports the measure without substantive revision. A reconciliation bill would then be considered, and possibly amended, by the full House or Senate. In the House, reconciliation bills are typically considered under the terms of a special rule. In the Senate, reconciliation bills are considered under limitations imposed by Sections 305, 310, and 313 of the Congressional Budget Act. These sections limit debate on a reconciliation bill to 20 hours, and limit the types of amendments that may be considered.

The Appropriations Process

The annual appropriations process provides funding for discretionary spending programs through regular annual appropriations bills.⁶ Congress must enact these measures prior to the beginning of each fiscal year (October 1) or provide interim funding for the affected programs through a

³ Discretionary spending is that spending not mandated by existing law, and therefore is made available in such amounts as Congress chooses through the appropriations process.

⁴ Direct spending, also referred to as mandatory or entitlement spending, is that spending directly controlled through eligibility requirements and benefit payments mandated in laws other than appropriations.

⁵ CRS Report R41186, *Reconciliation Directives: Components and Enforcement*, by Megan Suzanne Lynch.

⁶ CRS Report 97-684, *The Congressional Appropriations Process: An Introduction*, by Sandy Streeter.

“continuing resolution.” By custom, appropriations bills originate in the House, but may be amended by the Senate, as other legislation.

The House and Senate Appropriations Committees are organized into subcommittees, each of which is responsible for developing an appropriations bill. Appropriations bills are constrained in terms of both their purpose and the amount of funding they provide. Appropriations are constrained in terms of purpose because the rules of both the House (Rule XXI) and the Senate (Rule XVI) generally require authorization prior to consideration of appropriations for an agency or program.⁷

Constraints in terms of the amount of funding exist on several levels. For individual items or programs, funding may be limited to the level recommended in authorizing legislation. The overall level of discretionary spending provided in appropriations acts is limited by the allocations from the budget resolution made to the Appropriations Committees under Section 302(a) of the Budget Act. These allocations provide limits that may be enforced procedurally through points of order in the House and Senate during consideration of legislation. In the absence of a final agreement on a concurrent resolution on the budget, the House or Senate may adopt a “deeming resolution” to establish provisional enforcement levels.⁸

Section 302(b) of the Budget Act further requires the House and Senate Appropriations Committees to subdivide the amounts allocated to them under the budget resolution among their subcommittees. These suballocations are to be made “as soon as practicable after a concurrent resolution on the budget is agreed to.” Because each subcommittee is responsible for developing a single general appropriations bill, the process of making suballocations effectively determines the spending level for each of the regular annual appropriations bills. Legislation (or amendments) that would cause the suballocations made under 302(b) to be exceeded is subject to a point of order. The Appropriations Committees can (and do) issue revised subdivisions over the course of appropriations actions to reflect changes in spending priorities effected during floor consideration or in conference.

Revenue and Public Debt Legislation

The budget resolution provides a guideline for the overall level of revenues, but not for their composition. Legislative language controlling revenues is reported by the committees of jurisdiction (the House Ways and Means Committee and the Senate Finance Committee). The revenue level agreed to in the budget resolution acts as a minimum, limiting consideration of revenue legislation that would decrease revenue below that level. In addition, Article I, Section 7 of the Constitution requires that all revenue measures originate in the House of Representatives, although the Senate may amend them, as other legislation. Revenue legislation may be considered at any time, although revenue provisions are often included in reconciliation legislation.⁹

⁷ Authorizations are legislation that establish, continue, or modify an agency or program, and authorize the enactment of appropriations to carry out such purposes. Authorizations may be temporary or permanent, and their provisions may be general or specific, but they do not themselves provide funding in the absence of appropriations actions. Although House and Senate rules generally prohibit unauthorized appropriations, both provide exceptions in their respective rules, and the prohibition itself may be waived.

⁸ CRS Report RL31443, *The “Deeming Resolution”: A Budget Enforcement Tool*, by Megan Suzanne Lynch.

⁹ CRS Report R41408, *Rules and Practices Governing Consideration of Revenue Legislation in the House and Senate*, by Megan Suzanne Lynch.

The budget resolution also specifies an appropriate level for the public debt that reflects the budgetary policies agreed to in the resolution. Any change in the authorized level of the public debt must be implemented through a statutory enactment.¹⁰

Budget Enforcement and Sequestration

The Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177, 99 Stat. 1037) established the sequester¹¹ as a means to enforce statutory budget limits. Amendments to this act were designed to use sequesters to control direct spending and revenues (through the pay-as-you-go, or PAYGO, process) and discretionary spending (through spending caps). Under these mechanisms, the budgetary impact of all legislation was scored by OMB, and reported three times each year (a preview with the President's budget submission, an update with the Mid-Session Review of the Budget, and a final report 15 days after Congress adjourned). If the final report on either the PAYGO or spending caps mechanism indicated that the statutory limitations within that category had been violated, the President was required to issue an order making across-the-board cuts of nonexempt spending programs within that category. Those mechanisms expired October 1, 2002.¹²

Although formal enforcement of these mechanisms was through a presidential order, by enforcing the allocations and aggregates for spending and revenues provided in the budget resolution consistent with these limits, Congress was able to use points of order to enforce them as well. Although these statutory limits expired at the end of FY2002, Congress has continued to use the concurrent resolution on the budget and points of order to establish and enforce budgetary limits.¹³

More recently, new statutory control mechanisms have been established. The first was the Statutory PAYGO Act of 2010 to limit increases in the deficit caused by new direct spending or revenue legislation.¹⁴ Like its predecessor, it uses sequestration as its enforcement mechanism.

On August 2, 2011, the Budget Control Act of 2011 was signed into law.¹⁵ This law reestablished discretionary spending caps to apply to FY2012-FY2021 as well as parameters for further deficit reduction to be achieved over the same period. It includes two separate sequester mechanisms to enforce its requirements. These sequesters would enforce (1) the discretionary spending limit and (2) any amounts of the additional deficit reduction required under the act not achieved through a privileged measure to be authored by a Joint Select Committee on Deficit Reduction.

Although the primary enforcement of these limits is through sequestration, the Budget Control Act also established a point of order against the consideration of legislation that would exceed the

¹⁰ CRS Report RS21519, *Legislative Procedures for Adjusting the Public Debt Limit: A Brief Overview*, by Bill Heniff Jr.

¹¹ A sequester was an executive order canceling budgetary resources in accordance with the provisions of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

¹² These mechanisms were first established under the Budget Enforcement Act of 1990 (Title XIII of P.L. 101-508, Omnibus Budget Reconciliation Act of 1990). Originally enacted with a sunset date of FY1995, they were extended twice, through FY1998 (Title XIV of P.L. 103-66, Omnibus Budget Reconciliation Act of 1993) and through FY2002 (Budget Enforcement Act of 1997, Title X of P.L. 105-33, Balanced Budget Act of 1997). See CRS Report R41005, *The Statutory PAYGO Process for Budget Enforcement: 1991-2002*, by Robert Keith.

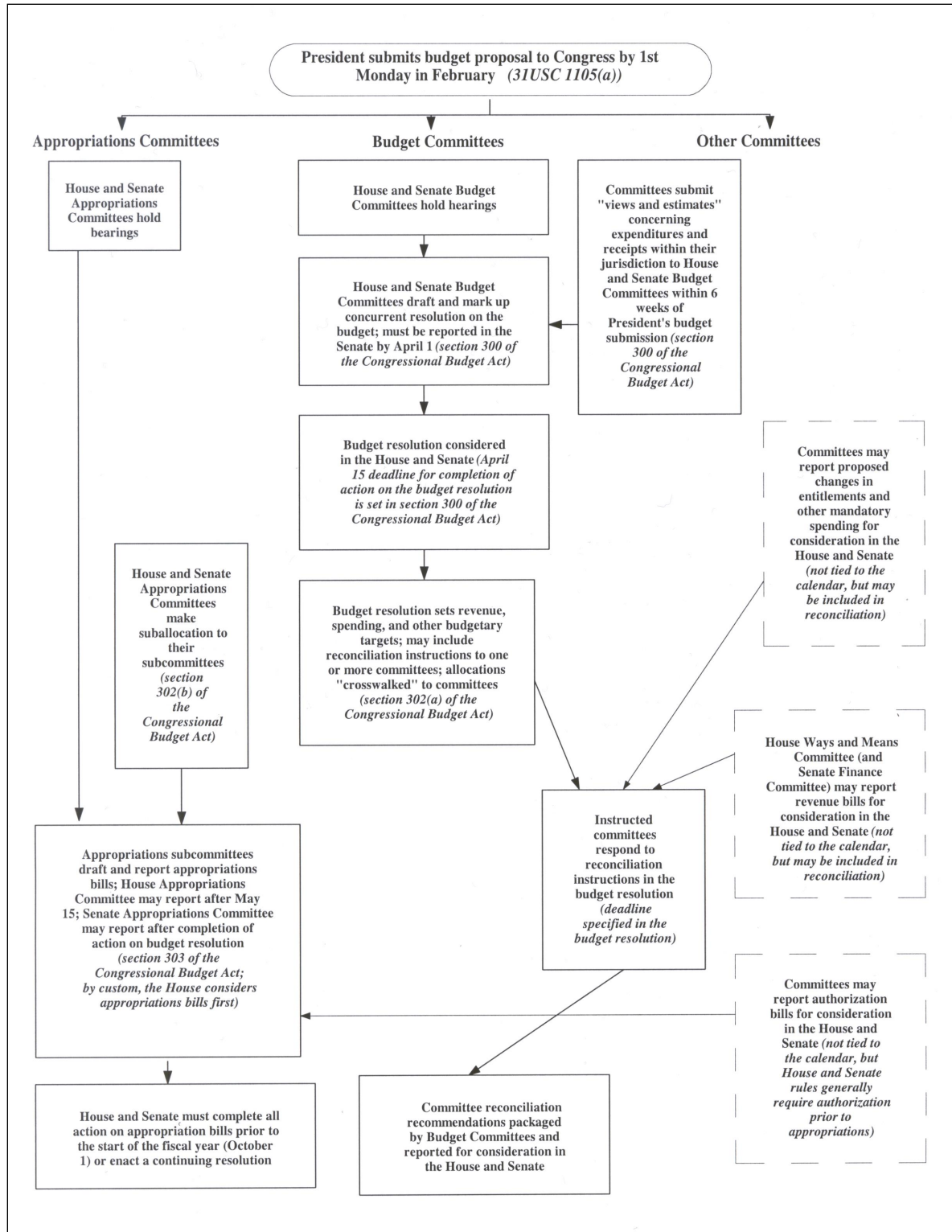
¹³ CRS Report 97-865, *Points of Order in the Congressional Budget Process*, by James V. Saturno.

¹⁴ P.L. 111-139. For detailed information see CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*, by Bill Heniff Jr.

¹⁵ P.L. 112-25. For detailed information see CRS Report R41965, *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan.

discretionary spending caps. In addition, by enforcing allocations and aggregates in the budget resolution consistent with these limits, Congress can enforce them through existing points of order as well.

Figure I. The Congressional Budget Process: Timetable for Annual Action



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